

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other				Local Unit Name Sebewaing Light and Water Department		County Huron	
Fiscal Year End 3/31/06		Opinion Date 5/11/06		Date Audit Report Submitted to State 8/1/06			

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

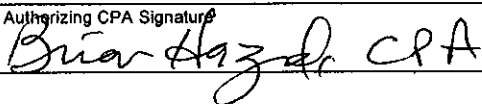
YES ☒ NO ☐

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☒ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:		Enclosed	Not Required (enter a brief justification)	
Financial Statements		<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations		<input type="checkbox"/>	None prepared	
Other (Describe)		<input type="checkbox"/>	No other reports required	
Certified Public Accountant (Firm Name) Nietzke & Faupel, P.C.			Telephone Number 989-453-3122	
Street Address 7274 Hartley Street			City Pigeon	State MI
			Zip 48755	
Authorizing CPA Signature 		Printed Name Brian Hazard, CPA		License Number 1101014007

**SEBEWAING LIGHT AND
WATER DEPARTMENT
VILLAGE OF SEBEWAING
SEBEWAING, MICHIGAN**

**FINANCIAL REPORT
MARCH 31, 2006 AND 2005**

**SEBEWAING LIGHT & WATER DEPARTMENT
VILLAGE OF SEBEWAING**

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INDEPENDENT AUDITOR'S REPORT

To The Board of Commissioners
Sebewaing Light and Water Department
Village of Sebewaing
Sebewaing, Michigan 48759

We have audited the accompanying financial statements of the business-type activities of the Sebewaing Light and Water Department, component unit of Village of Sebewaing, Michigan, as of March 31, 2006 and 2005 and for the 52 weeks and 54 weeks then ended, which comprise the Department's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Sebewaing Light and Water Department, Sebewaing, Michigan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

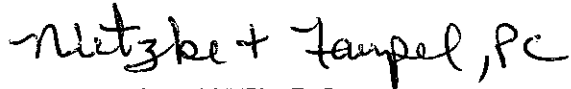
We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Sebewaing Light and Water Department, Sebewaing, Michigan, as of March 31, 2006 and 2005, and the changes in financial position and cash flows, thereof for the 52 weeks and 54 weeks then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages iii through v, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

INDEPENDENT AUDITOR'S REPORT (Continued)

Our audit was conducted for the purpose of forming opinions on the financial statements that comprise the Sebewaing Light and Water Department, Sebewaing, Michigan's basic financial statements. The supplemental information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Nietzke & Faupel, PC". The script is cursive and fluid.

NIETZKE & FAUPEL, P.C.
SEBEWAING, MICHIGAN

May 11, 2006

Sebewaing Light & Water, Michigan

Management's Discussion & Analysis

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of activities provide information about the activities of the Light & Water Department as a whole and present a longer-term view of the Departments finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the departments operations in more detail.

The Light & Water Department as a Whole

The Department's combined assets increased by 1.7% from a year ago – increasing from \$11.032 million to \$11.218 million. . The Department also experienced larger power purchase costs on a per kilowatt basis and 34% more power purchased when comparing calendar year 2004 to 2005. This year 58% of revenue was used for electric power purchase cost compared to 56% of revenue from last year.

In a condensed format, the table below shows a comparison of the net assets as of the current date to the prior year. The water system typically losses money annually. With major capital improvements in the system and a commitment to accountability with water usage in the village these losses have been at a decreasing rate.

Water and Electric Combined

The following table shows, in a condensed format, the net assets as of the current date:

	Department Business Activities March 2006	Department Business Activities March 2005
Current Assets	\$ 5,588,895	\$ 5,545,174
Capital Assets	4,629,228	4,487,324
Restricted Assets	<u>1,000,000</u>	<u>1,000,000</u>
Total Assets	<u>\$11,218,123</u>	<u>\$11,032,498</u>
Long – Term Debt	\$ 81,905	\$ 75,654
Current Liabilities	<u>216,555</u>	<u>246,732</u>
Total Liabilities	<u>\$ 298,460</u>	<u>\$ 322,386</u>
Net Assets:		
Investment in Capital Assets	\$ 4,629,228	\$ 4,487,324
Unrestricted	<u>6,290,435</u>	<u>6,222,788</u>
Total Net Assets	<u>\$10,919,663</u>	<u>\$10,710,112</u>

Unrestricted net assets—the part of net assets that can be used to finance day to day operations, increased by \$67,647. This represents an increase of approximately 1.1%. The level of unrestricted net assets for activities stands at \$6,290,435 or approximately 1.99 times the operating expenses annually. The department has relied on interest income from the investments of these unrestricted assets for balancing its budget.

Sebewaing Light & Water, Michigan

Management's Discussion & Analysis

Light & Water Department Change in Net Assets

	Departments Business Activities March 2006	Departments Business Activities March 2005
Revenue		
Charges for services	<u>\$3,093,120</u>	<u>\$2,886,033</u>
Nonoperating Revenue		
Interest on investments	148,913	108,823
Miscellaneous	20,781	23,538
Property taxes	96,374	15,945
State Shared Revenue	5,074	5,074
Crop income	<u>1,935</u>	
Total Nonoperating Revenue	<u>273,077</u>	<u>153,379</u>
Operating and Admin. Expenses		
Production	1,929,557	1,732,641
Internet	48,289	49,490
Distribution	357,715	368,432
General and administration	<u>830,085</u>	<u>856,378</u>
Total	3,165,646	3,006,941
Income before contributions	<u>200,551</u>	<u>32,471</u>
Contributions	9,000	9,000
Change in net assets	<u>\$ 209,551</u>	<u>\$ 41,471</u>

The Department's change in net assets was increased due to increased electric sales as well as higher interest income on investments. The Department increased expenses approximately \$158,705 while income increased approximately \$207,087 due to the previously mentioned items in this report. Production expense as well as income were both up due to the reopening of the Lapeer Metal Stamping Plant (old Tower Automotive Plant). The calendar year 2004 power purchases were 34,064,350 kwh, and in calendar year 2005 power purchases were 41,997,706 kwh with sales for both years up approximately by the same percentages.

Business-Type Activities

The Department's business-type activities consist of electric and water services. We provide water and electric to the residents of the Village of Sebewaing and some of the surrounding township residents.

Sebewaing Light & Water, Michigan

Management's Discussion & Analysis

The Light & Water Department's Funds

The Light & Water fund financial statements provide detailed information about the most significant funds. The Light & Water Commission creates funds to manage money for specific purposes, as well as to show accountability for certain activities, such as special property tax millage. While some of the Department's balance sheet indicates a healthy savings, the utility system requires a large investment, especially the aging water system of which a large percentage dates back to the 1930's. The Department is also positioning itself for the large exposure it has to changes to the electric power supply costs and P.A. 141 (customer choice of electric power supplier). Its power costs make up 58% of the Department's budget and has a contract with DTE Energy that ends in 2010. Purchase power costs for fiscal year 2005-2006 were \$1,659,237.

In 2005, the Light & Water Commission requested a public hearing to set electric rates that would coincide with the current DTE contract. The recommended rate is intended to soften the large rate impact that would occur when the current contract is up in 2010 by increasing rates over the next ten years by \$.002/kwh per year.

The Department is committed to improving the water quality to the village residents and maintains a five year plan to replace the aging distribution system. A local contractor currently has a contract for water main replacement on Beach, Ninth and Tenth Streets. The total engineering estimate for this project is \$200,000 (engineering and contingencies included). Also, the Department will need to update worn line construction vehicles and equipment in the upcoming fiscal year.

This financial report is intended to provide our customers with a general overview of the Light and Water Department's finances and to show the accountability for the money it receives. If you have questions about this report or need additional information we welcome you to contact the Light and Water Department office. Contact Supt. Jeff Schock, Sebewaing Light and Water Department, 108 W. Main Street, Sebewaing, MI 48759, 989-883-2700.

FINANCIAL STATEMENTS

**SEBEWAING LIGHT AND WATER DEPARTMENT
VILLAGE OF SEBEWAING**

BALANCE SHEETS - PROPRIETARY FUND

	March 31,	
	<u>2006</u>	<u>2005</u>
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash	\$ 3,170,850	\$ 3,095,280
U.S. Government securities	1,878,699	1,887,682
Accounts receivable - Trade	49,335	154,765
Accrued interest receivable	20,842	19,778
Prepaid insurance	74,804	13,600
Inventories	<u>394,365</u>	<u>374,069</u>
TOTAL CURRENT ASSETS	<u>5,588,895</u>	<u>5,545,174</u>
 CAPITAL ASSETS	 9,629,027	 9,297,171
LESS ACCUMULATED DEPRECIATION	<u>(4,999,799)</u>	<u>(4,809,847)</u>
CAPITAL ASSETS - NET	<u>4,629,228</u>	<u>4,487,324</u>
 RESTRICTED ASSETS:		
Certificates of deposit	<u>1,000,000</u>	<u>1,000,000</u>
TOTAL RESTRICTED ASSETS	<u>1,000,000</u>	<u>1,000,000</u>
 TOTAL ASSETS	 <u>\$ 11,218,123</u>	 <u>\$ 11,032,498</u>

	March 31,	
	<u>2006</u>	<u>2005</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES (PAYABLE FROM CURRENT ASSETS):		
Accounts payable - Trade	\$ 182,412	\$ 215,033
Due to other government		1,077
Accrued salaries and wages	8,243	6,532
Withheld and accrued payroll taxes and retirement	3,676	3,416
Deferred revenue	5,074	5,074
Customer deposits	17,150	15,600
TOTAL CURRENT LIABILITIES	<u>216,555</u>	<u>246,732</u>
NONCURRENT LIABILITIES:		
Accrued compensated absences	<u>81,905</u>	<u>75,654</u>
TOTAL NONCURRENT LIABILITIES	<u>81,905</u>	<u>75,654</u>
TOTAL LIABILITIES	<u>298,460</u>	<u>322,386</u>
NET ASSETS:		
Investment in capital assets	4,629,228	4,487,324
Unrestricted	<u>6,290,435</u>	<u>6,222,788</u>
TOTAL NET ASSETS	<u>10,919,663</u>	<u>10,710,112</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 11,218,123</u>	<u>\$ 11,032,498</u>

**SEBEWAING LIGHT AND WATER DEPARTMENT
VILLAGE OF SEBEWAING**

**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS -
PROPRIETARY FUND**

	52 Weeks <u>Ended</u> March 31, <u>2006</u>	54 Weeks <u>Ended</u> March 31, <u>2005</u>
CHARGES FOR SERVICES	<u>\$ 3,093,120</u>	<u>\$ 2,886,033</u>
OPERATING AND ADMINISTRATIVE EXPENSES:		
Production	1,929,557	1,732,641
Internet	48,289	49,490
Distribution	357,715	368,432
General and administrative	<u>830,085</u>	<u>856,378</u>
TOTAL OPERATING AND ADMINISTRATIVE EXPENSES	<u>3,165,646</u>	<u>3,006,941</u>
OPERATING (LOSS)	<u>(72,526)</u>	<u>(120,908)</u>
NONOPERATING REVENUE:		
Interest on investments	148,913	108,823
Miscellaneous	20,781	23,538
Property taxes	96,374	15,945
State shared revenue	5,074	5,074
Net crop income	<u>1,935</u>	<u></u>
TOTAL NONOPERATING REVENUE	<u>273,077</u>	<u>153,379</u>
INCOME BEFORE CONTRIBUTIONS	<u>200,551</u>	<u>32,471</u>
CONTRIBUTIONS	<u>9,000</u>	<u>9,000</u>
CHANGE IN NET ASSETS	<u>209,551</u>	<u>41,471</u>
NET ASSETS - BEGINNING	<u>10,710,112</u>	<u>10,668,641</u>
NET ASSETS - ENDING	<u>\$ 10,919,663</u>	<u>\$ 10,710,112</u>

**SEBEWAING LIGHT AND WATER DEPARTMENT
VILLAGE OF SEBEWAING**

STATEMENTS OF CASH FLOWS - PROPRIETARY FUND

	52 Weeks Ended March 31, 2006	54 Weeks Ended March 31, 2005
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 3,198,550	\$ 2,782,128
Payments to suppliers for goods and services	(2,089,448)	(1,754,523)
Payments to employees	(510,725)	(508,276)
Payments for fringe benefits	(244,611)	(244,663)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>353,766</u>	<u>274,665</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition of capital assets	(444,028)	(254,840)
Contributed capital received	9,000	9,000
NET CASH (USED) FOR CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(435,028)</u>	<u>(245,840)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest on investments	156,832	106,646
NET INCREASE IN CASH AND RESTRICTED CASH	<u>75,570</u>	<u>135,471</u>
CASH AND RESTRICTED CASH - BEGINNING OF YEAR	4,095,280	3,959,809
CASH AND RESTRICTED CASH - END OF YEAR	<u>\$ 4,170,850</u>	<u>\$ 4,095,280</u>
Cash Reconciliation:		
Cash	\$ 3,170,850	\$ 3,095,280
Restricted cash	1,000,000	1,000,000
Total	<u>\$ 4,170,850</u>	<u>\$ 4,095,280</u>

**SEBEWAING LIGHT AND WATER DEPARTMENT
VILLAGE OF SEBEWAING**

STATEMENTS OF CASH FLOWS - PROPRIETARY FUND

	52 Weeks <u>Ended</u> March 31, <u>2006</u>	54 Weeks <u>Ended</u> March 31, <u>2005</u>
Reconciliation of operating (loss) to net cash provided by operating activities:		
Operating (loss)	\$ (72,526)	\$ (120,908)
Adjustments to reconcile operating (loss) to net cash provided by operating activities:		
Depreciation	301,164	296,323
Decrease in fixed assets due to obsolete equipment	960	285
Miscellaneous revenue	22,716	23,538
Property taxes	96,374	15,945
State shared revenue	5,074	5,074
(Increase) decrease in current assets:		
Accounts receivable - Trade	105,430	(103,906)
Prepaid insurance	(61,204)	1,039
Inventories	(20,296)	(8,891)
Increase (decrease) in current liabilities:		
Accounts payable	(32,621)	153,879
Due to other fund	(1,077)	1,077
Accrued salaries and wages	1,711	3,882
Accrued compensated absences	6,251	7,070
Withheld and accrued payroll taxes and retirement	260	208
Customer deposits	1,550	50
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 353,766</u>	<u>\$ 274,665</u>

**SEBEWAING LIGHT AND WATER DEPARTMENT
VILLAGE OF SEBEWAING**

**NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2006 AND 2005**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Sebewaing Light and Water Department is a municipal owned utility company that provides electric and water service to the residents of the Village of Sebewaing. The Department has three classes of customers: residential, commercial and industrial. Approximately 50% of the Department's gross revenue is attributable to its six industrial customers which range from the agri-service industry to the tool and die industry. The Sebewaing Light and Water Department grants credit to its customers, all of whom are either located in the Village of Sebewaing or border the Village.

The Sebewaing Light and Water Department is one combined operating entity. The information presented in the financial statements reflecting separate information for the Light Department and Water Department is for informational and management purposes only.

Basis of Presentation:

The financial activities of the Department are recorded in one fund categorized as an Enterprise Fund. Enterprise Funds are of the Proprietary Fund Type and are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The Sebewaing Light and Water Department is a component unit of the Village of Sebewaing and its financial statements are included in the financial statements of the Village of Sebewaing. However, for purposes of these financial statements, the financial position, results of operations, and cash flows of the Sebewaing Light and Water Department are being presented separate from those of the Village of Sebewaing.

Basis of Accounting:

The accounting policies of the Department conform to generally accepted accounting principles as applicable to governmental units following the accrual basis of accounting as required for Proprietary Fund Types. Therefore, revenue is recognized when earned (utility service is provided to customer) and expenses are recognized when incurred (goods or services are received). The department has elected under GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Activities That Use Proprietary Fund Accounting, to apply all applicable GASB pronouncements as well as all applicable Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or after November 30, 1989, except for those that conflict with or contradict with GASB pronouncements.

**SEBEWAING LIGHT AND WATER DEPARTMENT
VILLAGE OF SEBEWAING**

**NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2006 AND 2005**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Cash and Cash Equivalents:

Cash and cash equivalents of the Department include cash on hand and all deposits with financial institutions, including all certificates of deposit. Investments in U.S. Treasury Securities are excluded from cash and cash equivalents.

Capital Assets:

Buildings, generation assets, transmission assets, furniture and equipment are stated at cost, less accumulated depreciation. Expenditures that increase values or extend useful lives are capitalized and routine maintenance and repairs are charged to expense in the period incurred. Depreciation is calculated using the straight-line method at rates that are designed to depreciate the cost of the assets over their estimated useful lives ranging from 5 to 50 years.

Net Assets:

The net assets of the Department consist of the following:

- Invested in capital assets, net of related debt – This component of net assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds or other long-term borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net assets component as the unspent proceeds.
- Restricted – This component of net assets consists of net assets subject to external constraints on their use imposed by creditors (such as through debt covenants), contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted net assets – This component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Property Taxes:

Property taxes attach as an enforceable lien on property as of December 31. Village taxes are levied on the following July 1 and are payable without penalty through September 14. Property tax revenue is recognized as revenue in the fiscal year levied to the extent that it is measurable and available in accordance with NCGA interpretation 3 (Revenue Recognition - Property Taxes). The Village of Sebewaing collects the property taxes levied for the purpose of operating, maintaining, replacing and expanding the water system and then transfers the taxes collected to the Sebewaing Light and Water Department where they are deposited into a separate bank account.

**SEBEWAING LIGHT AND WATER DEPARTMENT
VILLAGE OF SEBEWAING**

**NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2006 AND 2005**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Compensated Absences:

Light and Water Department employees are allowed to accumulate a maximum of one hundred twenty (120) days of sick leave. In the event of death, termination of employment, or retirement of an employee, one-half of sick leave accumulation is paid to the employee at his current rate of pay. Unused sick leave in excess of one hundred twenty (120) days is paid annually at one-half of the employee's regular pay rate. There is no accumulation of unused vacation days allowed. The Department accrues a liability for compensated absences which meet the following criteria:

1. The Department's obligation relating to employees' rights to receive compensation for future absences is attributable to employee's services already rendered.
2. The obligation relates to rights that vest or accumulate.
3. Payment of the compensation is probable.
4. The amount can be reasonably estimated.

In accordance with the above criteria, the Department has accrued a liability for sick pay which has been earned but not taken by Light and Water Department employees. The liability for compensated absences is recorded in proprietary fund types as a noncurrent accrued liability in accordance with GASB Statement 16.

Use of Estimates:

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

NOTE 2 - CASH AND DEPOSITS:

The carrying amount of cash and deposits with financial institutions of the Sebewaing Light and Water Department amounted to \$4,170,850 and \$4,095,280 at March 31, 2006 and 2005 respectively. The bank balance as of March 31, 2006 and 2005 was \$4,172,100 and \$4,117,201, respectively. Deposits with financial institutions are categorized as follows:

	<u>March 31,</u>	
	<u>2006</u>	<u>2005</u>
Amount insured by the FDIC	\$1,594,058	\$1,594,555
Uncollateralized	<u>2,578,042</u>	<u>2,522,646</u>
Total deposits with financial institutions	<u>\$4,172,100</u>	<u>\$4,117,201</u>

**SEBEWAING LIGHT AND WATER DEPARTMENT
VILLAGE OF SEBEWAING**

**NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2006 AND 2005**

NOTE 2 - CASH AND DEPOSITS: (CONTINUED)

All deposits categorized as uncollateralized are the property of the Sebewaing Light and Water Department, an Enterprise Fund.

The amount of uncollateralized deposits throughout the fiscal year did not significantly exceed the amount of uncollateralized deposits at March 31, 2006.

Michigan Compiled Laws Section 129.91, authorizes the Department to deposit and invest in the accounts of federally insured banks, credit unions and savings and loan associations; bonds, securities and other obligations of the United States, or any agency or instrumentality of the United States in which the principal and interest is fully guaranteed by the United States, including securities issued or guaranteed by the Government National Mortgage Association; United States Government or federal agency obligation repurchase agreements; bankers' acceptance of United States banks; mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan; and commercial paper rated by two standard rating agencies within the three highest classifications, which mature not more than 270 days after the date of purchase, and which involves no more than 50 percent of any one fund. The Department's deposits are in accordance with statutory authority. The Light and Water Commission has authorized management to deposit and invest in the accounts of federally insured banks and savings and loan associations within the State of Michigan and bonds, securities and other obligations of the United States, or any agency of the United States in which the principal and interest is fully guaranteed by the United States. The Department's deposits and investments are within the authorization as set forth by the Light and Water Commission. However, the Department's investment policy does not specifically address credit risk, custodial credit risk, concentration of credit risk, and interest rate risk. It does include policies on safety of capital, diversification, liquidity, and return on investment.

NOTE 3 - SHORT-TERM INVESTMENTS:

At March 31, 2006 and 2005, the Department's investments include the following:

	<u>2006</u>	<u>March 31,</u> <u>2005</u>
U.S. Treasury Securities (at cost, which approximates market value) *	<u>\$1,878,699</u>	<u>\$1,887,682</u>
Total U.S. Treasury Securities	<u>\$1,878,699</u>	<u>\$1,887,682</u>
 Weighted Average Maturity (Days)	 53.9	 50.1

* The U.S. Treasury securities mature in various amounts from April 6, 2006 to June 29, 2006 at interest rate yields that range from 4.169% to 4.662%.

The Department owns the U.S. Treasury Securities directly and has purchased the securities through a "Treasury Direct" account with the Federal Reserve Bank of Chicago. Therefore, the investment would be classified as a Category 1 investment (Insured or registered, with securities held by the Department or its agent in the Department's name).

**SEBEWAING LIGHT AND WATER DEPARTMENT
VILLAGE OF SEBEWAING**

**NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2006 AND 2005**

NOTE 4 - INVENTORIES:

Inventories are stated at cost determined on the first-in, first-out method. Inventories consisted of the following:

	<u>2006</u>	<u>March 31,</u> <u>2005</u>
Light Department:		
Poles, towers, fixtures	\$ 24,249	\$ 21,009
Line material	105,262	112,339
Line transformers	155,270	142,860
Meters	7,293	7,584
Street lighting	15,846	7,430
Customer service – Lamps	5,165	4,313
Office supplies	600	600
Lamps – Resale	9,968	10,504
Fuel oil, lubricants	17,212	17,212
Internet	3,908	1,868
Customer service – Material	1,500	1,500
Total light department	<u>346,273</u>	<u>327,219</u>
Water Department:		
Distribution mains, services	11,882	9,294
Fire hydrants	6,907	6,907
Meters	6,158	11,656
Maintenance supplies	22,795	18,643
Office supplies	350	350
Total water department	<u>48,092</u>	<u>46,850</u>
Total light & water department	<u>\$394,365</u>	<u>\$374,069</u>

**SEBEWAING LIGHT AND WATER DEPARTMENT
VILLAGE OF SEBEWAING**

**NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2006 AND 2005**

NOTE 5 - CAPITAL ASSETS:

Depreciation expense for the years ended March 31, 2006 and 2005, amounted to \$301,164 and \$296,323, respectively. Capital assets and accumulated depreciation consisted of the following:

	Balance March 31, 2005	Additions	Retirements	Balance March 31, 2006
Light Department:				
Land - Nondepreciated	\$ 206,074	\$ 29,827		\$ 235,901
Buildings	1,223,861	2,854	\$ 1,018	1,225,697
Equipment	5,379,310	280,420	101,915	5,557,815
Construction in progress		<u>56,939</u>		<u>56,939</u>
Total Light Department	<u>6,809,245</u>	<u>370,040</u>	<u>102,933</u>	<u>7,076,352</u>
Water Department:				
Land - Nondepreciated	14,989			14,989
Buildings	7,043			7,043
Equipment	2,423,937	41,439	9,239	2,456,137
Construction in progress	<u>41,958</u>	<u>32,549</u>		<u>74,507</u>
Total Water Department	<u>2,487,926</u>	<u>73,988</u>	<u>9,239</u>	<u>2,552,675</u>
Total Capital Assets	<u>9,297,171</u>	<u>444,028</u>	<u>112,172</u>	<u>9,629,027</u>
Less: Accumulated depreciation	<u>4,809,847</u>	<u>301,164</u>	<u>111,212</u>	<u>4,999,799</u>
Net Capital Assets	<u>\$4,487,324</u>	<u>\$142,864</u>	<u>\$ 960</u>	<u>\$4,629,228</u>

NOTE 6 - CONSTRUCTION IN PROGRESS:

Included in construction in progress are the following projects that the Sebewaing Light and Water Department had in progress as of March 31, 2006: Electrical system improvements for the Lapeer Metal Stamping project \$36,048; Clean air project for Michigan Sugar Company \$20,891; Water system improvements for the Lapeer Metal Stamping project \$32,549; and Water Main replacement on 7th through 10th Streets \$41,958. The Lapeer Metal Stamping electric and water system projects and the Michigan Sugar Company clean air project will be completed during 2006. The Department plans on completing the water main replacement on 7th through 10th Streets during 2007.

NOTE 7 - RESTRICTED ASSETS:

Restricted cash and deposits held by the Sebewaing Light and Water Department amounted to \$1,000,000 and \$1,000,000, as of March 31, 2006 and 2005, respectively. Deposits are restricted for the following purposes:

	2006	March 31, 2005
Building and equipment replacement for the Light and Water Department	\$1,000,000	\$1,000,000
Total restrictions on deposits	<u>\$1,000,000</u>	<u>\$1,000,000</u>

**SEBEWAING LIGHT AND WATER DEPARTMENT
VILLAGE OF SEBEWAING**

**NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2006 AND 2005**

NOTE 8 - RETIREMENT SYSTEM - MERS OPERATED:

Pension Plan:

Plan Description: The Sebewaing Light and Water Department participates in the Michigan Municipal Employees Retirement System, an agent multiple-employer defined benefit pension plan that covers all employees of the Sebewaing Light and Water Department. The system provides retirement, disability and death benefits to plan members and their beneficiaries. The Michigan Municipal Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the System at 447 N. Canal Road, Lansing, Michigan 48917.

Funding Policy: The obligation to contribute to and maintain the system for these employees was established by state statutes and requires a contribution from the employees of 3% of the first \$4,200 of annual compensation and 5% of portions over \$4,200.

Annual Pension Cost: For the year ended March 31, 2006, the Sebewaing Light and Water Department's annual pension cost of \$56,263 for the plan was equal to the Department's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2005, using the entry age normal cost method. Significant actuarial assumptions used include (a) an 8 percent investment rate of return, (b) projected salary increases of 4.5 percent per year, and (c) 2 percent per year cost of living adjustments. Both (a) and (b) include an inflation component of 3%. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis.

Three-year trend information:

	<u>Fiscal year ended December 31,</u>		
	<u>2003</u>	<u>2004</u>	<u>2005</u>
Annual pension cost	\$ 47,727	\$ 75,967	\$ 103,944
Percentage of APC contributed	100%	100%	100%
Net pension obligation	0	0	0
Actuarial value of assets	3,957,174	4,065,945	4,147,907
Actuarial accrued liability (entry age)	4,914,142	5,323,901	5,507,223
Unfunded AAL	956,968	1,257,956	1,359,316
Funded ratio	81%	76%	75%
Covered payroll	824,473	828,818	930,050
UAAL as a percentage of covered payroll	116%	152%	146%

NOTE 9 - DEFERRED COMPENSATION:

Employees of the Sebewaing Light and Water Department may participate in a deferred compensation plan adopted under the provisions of Internal Revenue Code Section 457 (Deferred Compensation Plans With Respect To Service For State and Local Governments).

**SEBEWAING LIGHT AND WATER DEPARTMENT
VILLAGE OF SEBEWAING**

**NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2006 AND 2005**

NOTE 9 – DEFERRED COMPENSATION: (CONTINUED)

The deferred compensation plan is available to all employees of the Department. Under the plan, employees may elect to defer a portion of their salaries and avoid paying taxes on the deferred portion until the withdrawal date. The deferred compensation amount is not available for withdrawal by employees until termination, retirement, death, or unforeseeable emergency. The deferred compensation plan is administered by an unrelated financial institution.

NOTE 10 – CONTINGENT LIABILITIES:

The Department is a reimbursing employer for purposes of unemployment insurance claims against the Department. The Department reimburses the State of Michigan for all benefits charged against it in the event of termination of employment and subsequent claims of its employees. Because an estimate cannot be made, the contingent liability for unemployment insurance claims is not recognized in the accompanying financial statements. This expense is recognized as incurred.

NOTE 11 – RELATED PARTY TRANSACTIONS:

As a matter of convenience, the Sebewaing Light and Water Department collects sewer, trash and fines billed by the Village of Sebewaing along with its own electric and water utility billings from customers. The collections for sewer, trash and fine charges are then periodically transferred to the Village's accounts. During the years ended March 31, 2006 and 2005, the Light and Water Department received \$39,428 and \$35,534, respectively, from the Village of Sebewaing's General and Sanitary Sewer Funds for electric service for street lighting and lift station operation.

NOTE 12 – RISK MANAGEMENT:

General Liability:

Sebewaing Light and Water Department participates in the Michigan Municipal Liability and Property Pool, which is a public entity risk pool, for the coverage of significant losses due to its general liability. The participation in the pool constitutes transfer of the risk for significant losses to the pool with a coverage limit of \$10.9 million for real and personal property losses and \$10 million for liability losses. Sebewaing Light and Water Department is required to pay annual premiums to the Michigan Municipal Liability and Property Pool for the liability coverage. No supplemental premium assessment is required by the Michigan Municipal Liability and Property Pool. There have been no significant reductions in insurance coverage and settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

Workers' Compensation:

Sebewaing Light and Water Department, as a component unit of the Village of Sebewaing, purchased commercial insurance coverage for losses related to workers' compensation claims.

Employee Health Care:

Sebewaing Light and Water Department purchased commercial insurance coverage for its employees and their dependents.

SUPPLEMENTAL INFORMATION

**SEBEWAING LIGHT AND WATER DEPARTMENT
VILLAGE OF SEBEWAING**

**DEPARTMENTAL BALANCE SHEETS
March 31, 2006**

<u>ASSETS</u>	<u>LIGHT</u>	<u>WATER</u>	<u>TOTAL</u>
CURRENT ASSETS:			
Cash	\$ 2,776,969	\$ 393,881	\$ 3,170,850
U.S. Government Securities	1,878,699		1,878,699
Accounts receivable - Trade	40,455	8,880	49,335
Accrued interest receivable	20,842		20,842
Prepaid insurance	59,843	14,961	74,804
Inventories	346,273	48,092	394,365
TOTAL CURRENT ASSETS	<u>5,123,081</u>	<u>465,814</u>	<u>5,588,895</u>
CAPITAL ASSETS			
LESS ACCUMULATED DEPRECIATION			
CAPITAL ASSETS - NET	7,076,352	2,552,675	9,629,027
	(4,233,010)	(766,789)	(4,999,799)
	<u>2,843,342</u>	<u>1,785,886</u>	<u>4,629,228</u>
RESTRICTED ASSETS:			
Certificates of deposit	1,000,000		1,000,000
TOTAL RESTRICTED ASSETS	<u>1,000,000</u>		<u>1,000,000</u>
TOTAL ASSETS	<u>\$ 8,966,423</u>	<u>\$ 2,251,700</u>	<u>\$ 11,218,123</u>

**SEBEWAING LIGHT AND WATER DEPARTMENT
VILLAGE OF SEBEWAING**

DEPARTMENTAL BALANCE SHEETS

March 31, 2006

	<u>LIGHT</u>	<u>WATER</u>	<u>TOTAL</u>
<u>LIABILITIES AND NET ASSETS</u>			
CURRENT LIABILITIES (PAYABLE FROM CURRENT ASSETS)			
Accounts payable - Trade	\$ 182,412		\$ 182,412
Accrued salaries and wages	5,894	\$ 2,349	8,243
Withheld and accrued payroll taxes and retirement	3,676		3,676
Deferred revenue		5,074	5,074
Customer deposits	17,150		17,150
TOTAL CURRENT LIABILITIES	<u>209,132</u>	<u>7,423</u>	<u>216,555</u>
NONCURRENT LIABILITIES:			
Interdepartmental adjustment	(2,108,566)	2,108,566	
Accrued compensated absences	61,065	20,840	81,905
TOTAL NONCURRENT LIABILITIES	<u>(2,047,501)</u>	<u>2,129,406</u>	<u>81,905</u>
TOTAL LIABILITIES	<u>(1,838,369)</u>	<u>2,136,829</u>	<u>298,460</u>
NET ASSETS:			
Investment in capital assets	2,843,342	1,785,886	4,629,228
Unrestricted	7,961,450	(1,671,015)	6,290,435
TOTAL NET ASSETS	<u>10,804,792</u>	<u>114,871</u>	<u>10,919,663</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 8,966,423</u>	<u>\$ 2,251,700</u>	<u>\$ 11,218,123</u>

**SEBEWAING LIGHT AND WATER DEPARTMENT
VILLAGE OF SEBEWAING**

**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
LIGHT DEPARTMENT**

	<u>52 WEEKS ENDED</u> <u>MARCH 31, 2006</u>		<u>54 WEEKS ENDED</u> <u>MARCH 31, 2005</u>	
	<u>AMOUNT</u>	<u>% OF</u> <u>REVENUE</u>	<u>AMOUNT</u>	<u>% OF</u> <u>REVENUE</u>
CHARGES FOR SERVICES	<u>\$ 2,880,444</u>	<u>100.0 %</u>	<u>\$ 2,650,130</u>	<u>100.0 %</u>
OPERATING AND ADMINISTRATIVE EXPENSES:				
Production	1,845,358	64.1	1,648,878	62.2
Internet	48,289	1.7	49,490	1.8
Distribution	312,562	10.8	327,764	12.4
General and administrative	<u>637,975</u>	<u>22.2</u>	<u>657,156</u>	<u>24.8</u>
TOTAL OPERATING AND ADMINISTRATIVE EXPENSES	<u>2,844,184</u>	<u>98.8</u>	<u>2,683,288</u>	<u>101.3</u>
OPERATING INCOME (LOSS)	<u>36,260</u>	<u>1.2</u>	<u>(33,158)</u>	<u>(1.3)</u>
NONOPERATING REVENUE:				
Interest on investments	143,284	5.0	104,719	4.0
Miscellaneous	20,781	0.7	23,538	0.9
Net crop income	<u>1,935</u>	<u>0.1</u>		
TOTAL NONOPERATING REVENUE	<u>166,000</u>	<u>5.8</u>	<u>128,257</u>	<u>4.8</u>
CHANGE IN NET ASSETS	<u>202,260</u>	<u>7.0 %</u>	<u>95,099</u>	<u>3.6 %</u>
NET ASSETS - BEGINNING OF YEAR	10,602,532		10,507,433	
NET ASSETS - END OF YEAR	<u>\$ 10,804,792</u>		<u>\$ 10,602,532</u>	

**SEBEWAING LIGHT AND WATER DEPARTMENT
VILLAGE OF SEBEWAING**

**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
WATER DEPARTMENT**

	<u>52 WEEKS ENDED</u>		<u>54 WEEKS ENDED</u>	
	<u>MARCH 31, 2006</u>		<u>MARCH 31, 2005</u>	
	<u>AMOUNT</u>	<u>% OF REVENUE</u>	<u>AMOUNT</u>	<u>% OF REVENUE</u>
CHARGES FOR SERVICES	<u>\$ 212,676</u>	<u>100.0 %</u>	<u>\$ 235,903</u>	<u>100.0 %</u>
OPERATING AND ADMINISTRATIVE EXPENSES:				
Production	84,199	39.6	83,763	35.6
Distribution	45,153	21.2	40,668	17.2
General and administrative	192,110	90.3	199,222	84.5
TOTAL OPERATING AND ADMINISTRATIVE EXPENSES	<u>321,462</u>	<u>151.1</u>	<u>323,653</u>	<u>137.3</u>
OPERATING (LOSS)	<u>(108,786)</u>	<u>(51.1)</u>	<u>(87,750)</u>	<u>(37.3)</u>
NONOPERATING REVENUE:				
Property taxes	96,374	45.3	15,945	6.8
State shared revenue	5,074	2.4	5,074	2.2
Interest earned	5,629	2.6	4,104	1.7
TOTAL NONOPERATING REVENUE	<u>107,077</u>	<u>50.3</u>	<u>25,122</u>	<u>10.7</u>
(LOSS) BEFORE CONTRIBUTIONS	<u>(1,709)</u>	<u>(0.8) %</u>	<u>(62,628)</u>	<u>(26.4) %</u>
CONTRIBUTIONS	<u>9,000</u>	<u>4.2</u>	<u>9,000</u>	<u>3.8</u>
CHANGE IN NET ASSETS	<u>7,291</u>	<u>3.4 %</u>	<u>(53,628)</u>	<u>(22.6) %</u>
NET ASSETS - BEGINNING OF YEAR	<u>107,580</u>		<u>161,207</u>	
NET ASSETS - END OF YEAR	<u>\$ 114,871</u>		<u>\$ 107,580</u>	

**SEBEWAING LIGHT AND WATER DEPARTMENT
VILLAGE OF SEBEWAING**

**SCHEDULES OF OPERATING AND ADMINISTRATIVE EXPENSES
LIGHT DEPARTMENT**

	<u>52 WEEKS ENDED</u> <u>MARCH 31, 2006</u>		<u>54 WEEKS ENDED</u> <u>MARCH 31, 2005</u>	
	<u>AMOUNT</u>	<u>% OF REVENUE</u>	<u>AMOUNT</u>	<u>% OF REVENUE</u>
PRODUCTION:				
Supervision and operation labor	\$ 72,555	2.5 %	\$ 71,957	2.7 %
Fuel - Natural gas	19,435	0.7	12,994	0.5
Lubricants			31	
Supplies	6,391	0.2	13,320	0.5
Maintenance and repairs	28,219	1.0	7,598	0.3
Maintenance and repairs - Labor	48,007	1.7	43,143	1.6
Purchased power	1,659,237	57.6	1,494,647	56.4
Building maintenance	11,514	0.4	5,189	0.2
TOTAL PRODUCTION	<u>1,845,358</u>	<u>64.1</u>	<u>1,648,878</u>	<u>62.2</u>
INTERNET:				
Administration	1,530	0.1		
Labor	772		91	
Maintenance and repairs	4,592	0.2	12,129	0.5
Depreciation	26,951	0.9	18,063	0.7
Subcontractor labor	463		450	
T1 monthly fee	13,981	0.5	18,757	0.7
TOTAL INTERNET	<u>48,289</u>	<u>1.7</u>	<u>49,490</u>	<u>1.8</u>
DISTRIBUTION:				
Supervision and operation labor	61,335	2.1	58,017	2.2
Line materials	22,690	0.8	10,553	0.4
Customer service	26,444	0.9	88,097	3.3
Transportation - Truck	37,397	1.3	31,954	1.2
Supplies	6,244	0.2	6,779	0.3
Maintenance and repairs	151,845	5.3	126,074	4.8
Building maintenance	6,607	0.2	6,290	0.2
TOTAL DISTRIBUTION	<u>312,562</u>	<u>10.8</u>	<u>327,764</u>	<u>12.4</u>
GENERAL AND ADMINISTRATIVE:				
Meter reading and collection labor	56,907	2.0	71,684	2.7
Supplies - Office	16,683	0.6	29,839	1.1
Insurance - General	58,480	2.0	58,687	2.2
Interest expense	300		148	
Building maintenance	4,694	0.2	5,185	0.2
Professional and consulting fees	15,280	0.5	23,615	0.9
Miscellaneous			76	
Bad debts	1,588	0.1	2,611	0.1
Retirement	41,374	1.4	31,286	1.2
Dues, meetings and travel	37,253	1.3	32,009	1.2
Advertising	4,161	0.1	5,800	0.2
Education and training	1,167		379	
Depreciation	209,467	7.3	216,055	8.2
Employee insurance	127,525	4.4	118,844	4.5
Office equipment	15,188	0.5	12,471	0.5
Taxes - Social security	29,126	1.0	31,485	1.2
Telephone	18,782	0.7	16,982	0.6
TOTAL GENERAL AND ADMINISTRATIVE	<u>637,975</u>	<u>22.2</u>	<u>657,156</u>	<u>24.8</u>
TOTAL OPERATING AND ADMINISTRATIVE	<u>\$ 2,844,184</u>	<u>98.8 %</u>	<u>\$ 2,683,288</u>	<u>101.3 %</u>

**SEBEWAING LIGHT AND WATER DEPARTMENT
VILLAGE OF SEBEWAING**

**SCHEDULES OF OPERATING AND ADMINISTRATIVE EXPENSES
WATER DEPARTMENT**

	<u>52 WEEKS ENDED</u> <u>MARCH 31, 2006</u>		<u>54 WEEKS ENDED</u> <u>MARCH 31, 2005</u>	
	<u>AMOUNT</u>	<u>% OF</u> <u>REVENUE</u>	<u>AMOUNT</u>	<u>% OF</u> <u>REVENUE</u>
PRODUCTION:				
Supervision and operation labor	\$ 35,725	16.8 %	\$ 40,216	17.0 %
Purchased power - Electric	11,701	5.5	12,873	5.5
Supplies	10,637	5.0	10,846	4.6
Maintenance and repairs	<u>26,136</u>	<u>12.3</u>	<u>19,828</u>	<u>8.4</u>
TOTAL PRODUCTION	<u>84,199</u>	<u>39.6</u>	<u>83,763</u>	<u>35.6</u>
DISTRIBUTION:				
Water testing	1,362	0.6	1,200	0.5
Supplies	2,476	1.2	2,909	1.2
Maintenance and repairs	<u>41,315</u>	<u>19.4</u>	<u>36,559</u>	<u>15.5</u>
TOTAL DISTRIBUTION	<u>45,153</u>	<u>21.2</u>	<u>40,668</u>	<u>17.2</u>
GENERAL AND ADMINISTRATIVE:				
Meter reading and collection labor	43,864	20.6	56,448	23.9
Insurance - General	14,620	6.9	14,672	6.2
Office Supplies			1,044	0.4
Bad debts	722	0.3	705	0.3
Retirement	14,006	6.6	10,890	4.6
Depreciation	64,746	30.4	62,205	26.4
Employee insurance	43,311	20.4	41,407	17.6
Professional and consulting fees	982	0.5	892	0.4
Taxes - Social security	<u>9,859</u>	<u>4.6</u>	<u>10,959</u>	<u>4.6</u>
TOTAL GENERAL AND ADMINISTRATIVE	<u>192,110</u>	<u>90.3</u>	<u>199,222</u>	<u>84.5</u>
TOTAL OPERATING AND ADMINISTRATIVE EXPENSE	<u>\$ 321,462</u>	<u>151.1 %</u>	<u>\$ 323,653</u>	<u>137.3 %</u>

**SEBEWAING LIGHT AND WATER DEPARTMENT
VILLAGE OF SEBEWAING**

**SCHEDULE OF CAPITAL ASSETS
FOR THE YEAR ENDED MARCH 31, 2006**

	CAPITAL ASSETS			ACCUMULATED DEPRECIATION			NET ASSET COST	
	BALANCE MARCH 31, 2005	ADDITIONS	BALANCE MARCH 31, 2006	BALANCE MARCH 31, 2005	PROVISION FOR DEPRECIATION	RETIREMENTS		
LIGHT DEPARTMENT:								
Land and land improvements	\$ 206,074	\$ 29,827	\$ 235,901	\$ 57,049	\$ 895		\$ 57,944	\$ 177,957
Power house building	554,195		554,195	280,109	17,781		297,890	256,305
Office building	37,316		36,298	34,411	1,036	\$ 1,018	34,429	1,869
Warehouse buildings	304,485	2,854	307,339	160,639	11,953		172,592	134,747
Oil storage tanks, pump	39,034		39,034	19,599	1,404		21,003	18,031
Electric plant waterwell	1,875		1,875	1,875			1,875	
Fiber line	102,867		102,867	21,521	7,596		29,117	73,750
Internet equipment	76,893	16,215	93,108	12,728	19,355		32,083	61,025
Generating equipment	1,750,188	9,218	1,759,406	1,184,150	43,786		1,227,936	531,470
Substation	327,865		327,865	150,751	13,116		163,867	163,998
Accessory equipment	358,486		315,472	324,613	10,657	42,514	292,756	22,716
Switchboard equipment	562,253		554,801	300,200	17,281	7,452	310,029	244,772
Poles, towers, fixtures	156,776	9,484	158,610	76,329	5,829	7,650	74,508	84,102
Overhead conductors service	1,041,996	21,661	1,057,902	480,370	33,291	5,755	507,906	549,996
Line transformers	239,963	1,663	241,615	119,570	7,520	11	127,079	114,536
Meters	49,454	481	49,272	21,298	1,605	663	22,240	27,032
Street lighting	61,579	8,048	66,881	40,753	1,742	2,746	39,749	27,132
Office furniture, fixtures	158,741	21,372	163,534	131,007	9,257	16,119	124,145	39,389
Utility equipment	460,374		458,376	380,293	18,361	1,998	396,656	61,720
Transportation equipment	318,831	192,278	495,062	301,300	13,953	16,047	299,206	195,856
Construction in progress		56,939	56,939					56,939
TOTAL LIGHT DEPARTMENT	6,809,245	370,040	7,076,352	4,098,565	236,418	101,973	4,233,010	2,843,342
WATER DEPARTMENT:								
Land and improvements	14,989		14,989	1,710	501		2,211	12,778
Wells	174,655	18,415	193,070	71,371	4,304		75,675	117,395
Well houses	16,087		16,087	11,884	127		12,011	4,076
Elevated tank	451,735		451,735	230,122	16,404		246,526	205,209
Pumping equipment	132,280		128,794	69,961	4,320	3,486	70,795	57,999
Maintenance buildings	7,043		7,043	7,043			7,043	
Distribution mains, service	1,451,605		1,446,984	219,637	29,046	4,620	244,063	1,202,921
Fire hydrants	23,745		23,663	7,879	465	82	8,262	15,401
Meters	103,524	13,004	116,004	45,126	3,568	524	48,170	67,834
Tools, work equipment	55,806	10,020	65,299	44,132	3,111	527	46,716	18,583
Transportation equipment	14,500		14,500	2,417	2,900		5,317	9,183
Construction in progress	41,958	32,549	74,507					74,507
TOTAL WATER DEPARTMENT	2,487,926	73,988	2,552,675	711,282	64,746	9,239	766,789	1,785,886
TOTAL LIGHT AND WATER DEPARTMENT								4,629,228
TOTAL LIGHT AND WATER DEPARTMENT								\$ 4,629,228
DEPARTMENT								\$ 4,629,228

**SEBEWAING LIGHT AND WATER DEPARTMENT
VILLAGE OF SEBEWAING**

**SCHEDULE OF CAPITAL ASSET ADDITIONS
FOR THE YEAR ENDED MARCH 31, 2006**

LIGHT DEPARTMENT:

Generating equipment:

8 stationary batteries, charger	\$ 3,886
Fuel tank gauges	2,289
Exhaust elbow	3,043
	<u>9,218</u>

Land:

DPW property	<u>29,827</u>
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Internet Service:

Alvarion indoor / outdoor kit	2,113
Net equalizer	2,284
Firebox X1000, software	3,512
Antel 900mhz antenna	1,670
3570 feet alcoa 6 fiber cable	3,566
Internet subscriber units	3,070
	<u>16,215</u>

Office Furniture & fixtures:

Commission laptop	1,765
Acer laptop	799
Appliance server	2,282
Dell server, symantec	5,576
4 chairs	2,500
Panasonic cameras and equipment	4,428
Poweredge 2850 rackmount server	4,022
	<u>21,372</u>

Poles, towers:

Mapping distribution system	3,820
Inventory installed during fiscal year	5,664
	<u>9,484</u>

Overhead conductors service:

Mapping distribution system	3,820
Inventory installed during fiscal year	17,841
	<u>21,661</u>

**SEBEWAING LIGHT AND WATER DEPARTMENT
VILLAGE OF SEBEWAING**

**SCHEDULE OF CAPITAL ASSET ADDITIONS
FOR THE YEAR ENDED MARCH 31, 2006**

Transportation equipment:	
2006 IHC 4300 chassis, body, aerial device	145,538
2006 Dodge Ram Quad with boss v-plow	40,290
Cub Cadet tank M60-KH mower	6,450
	<u>192,278</u>
Warehouse buildings:	
Dual zone air conditioner	<u>2,854</u>
Street lighting:	
Copper lighting lot	<u>8,048</u>
Line Transformers:	
Inventory installed during fiscal year	<u>1,663</u>
Construction in progress:	
Lapeer Metal Stamping electric improvements	36,048
Michigan Sugar clean air project	20,891
	<u>56,939</u>
Electric meters:	
Inventory installed during fiscal year	481
TOTAL LIGHT DEPARTMENT	<u>370,040</u>

**SEBEWAING LIGHT AND WATER DEPARTMENT
VILLAGE OF SEBEWAING**

**SCHEDULE OF CAPITAL ASSET ADDITIONS
FOR THE YEAR ENDED MARCH 31, 2006**

WATER DEPARTMENT:

Construction in progress:

Lapeer Metal Stamping water main design, construction	<u>32,549</u>
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Wells:

Rehabilitation of pump, well #2	15,377
Well / transmission line rehabilitation	<u>3,038</u>
	<u>18,415</u>

Water meters:

Inventory installed during fiscal year	<u>13,004</u>
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Tools and equipment:

Auger coupler - skid loader	1,338
Tools for new line truck	7,472
Dechlorination bazooka	<u>1,210</u>
	10,020

TOTAL WATER DEPARTMENT	<u>73,988</u>
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TOTAL LIGHT AND WATER DEPARTMENT	<u><u>\$ 444,028</u></u>
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